

David Gauke MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
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9 September 2015

Dear David,

**The Tax Credits (Income Thresholds and Determination of Rates)
(Amendment) Regulations 2015**

At our meeting on 2 September, the Social Security Advisory Committee looked at a number of different sets of regulatory proposals, many of which were a direct consequence of the Chancellor's Budget statement.

Let me say at the outset that the Committee recognises the fiscal challenge faced by the Government and your ambition to honour the Conservative Party's manifesto pledge to reduce the welfare budget by £12bn. Nonetheless the draft regulations that were scrutinised by the Committee last week raised a number of concerns.

The Committee was struck in particular by the lack of available evidence to support the policy changes being presented to us. We recognise that officials have been working within very challenging timescales, but would be concerned if the changes being proposed had not been informed by evidence, at least in some rudimentary form.

In particular, with respect to the above regulations that were presented to us in accordance with our Memorandum of Understanding, we were disappointed that HM Revenue and Customs officials were not in a position to share with us their observations on:

- the potential impact the introduction of the national living wage might have on the proposals;
- whether there were likely to be any behavioural impacts brought about by the proposals;
- the degree to which the proposals are likely to impact upon the successful transition of Tax Credits to Universal Credit;

- the likely or actual effects of the policy on people of ‘protected characteristics’ and the evidence considered in reaching that view; and
- the evidence that had resulted in a view that the proposals will have no impact on charities or the voluntary sector.

There can be no question that this Committee is hampered in its role of scrutinising proposed changes in cases where the supporting explanatory material and evidence is scant.

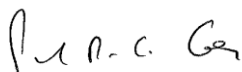
There are additionally issues on which DWP and HM Revenue and Customs might usefully have presented some joint information, for example:

- the combined impact of the effects of the various regulations presented to us (in particular the abolition of the Universal Credit Work Allowance in certain circumstances alongside the changes in the income thresholds connected with Tax Credits). We note in particular that, although several of the proposals have been accompanied by comments about the number of hours of additional work required to offset the impact of that particular measure, no analysis is presented of the **cumulative** number of additional hours required when the various changes are looked at as a package. The Committee has noted in the past the absence of analytical material on the cumulative impact of welfare reforms;
- and the strategy for communicating these (complex and inter-related) changes to claimants and their representatives.

In the case of The Tax Credits (Income Thresholds and Determination of rates) (Amendment) Regulations, which are affirmative, we would expect Parliament to want more detailed information that clearly explains the changes and potential impacts to ensure that they can be subject to effective scrutiny. We would encourage you to take steps to make that material available for that purpose.

I would be very happy to discuss any aspect of this letter further if you would find that helpful.

I am copying this letter to the Rt Hon Lord Freud (Minister for Welfare Reform), Damian Hinds MP (Exchequer Secretary to the Treasury), Lin Homer and Robert Devereux.



Paul Gray
Committee Chair

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